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EXPERIENCE OF INCREASING FINANCIAL LITERACY: KEY LEARNINGS IN AZERBAIJAN

6TH September 2017, Almaty

Microfinance Forum of Kazakhstan



The Daily Challenge of Good Money Management

For microfinance clients and other vulnerable groups of population, good money management is a daily challenge.

Pressures on their cash flow are persistent and often urgent. Future planning becomes difficult when people are struggling to make ends meet on a day-to-day basis. Planning horizons tend to be short and correspond to immediate needs, seasonal expenses, or school fees. Limited attention often is given to planning for frequent illness or other emergencies, unexpected social demands, or future investments.

The Financial Landscape of the Poor

Household Life Cycle Financial Needs





What are the objectives of financial education?

- ▶ Teach people concepts of money and how to manage it wisely.
- ▶ The aim is to enable people to become more informed financial decision makers, develop awareness of personal financial issues and choices, and learn basic skills related to earning, spending, budgeting, saving, borrowing, and investing money.
- ▶ Financial literacy can help people set financial goals and optimize their financial options.



Can Financial Education Help to Reduce Poverty?

YES!



What are the benefits for different groups of people?

For poor:

- ▶ Increase decision making power and prepare them to cope with the financial demands of daily life.
- ▶ Help them prepare ahead of time for life cycle needs and deal with unexpected emergencies without assuming unnecessary debt.
- ▶ Help people position themselves to take advantage of new opportunities when they present themselves.



What are the benefits for different groups of people?

For microfinance clients:

- ▶ Help to choose financial options and use microfinance services to their best advantage.
- ▶ With better knowledge on financial services, their costs, and the risks, clients can decide which ones best meet their needs.
- ▶ Help to reduce the risks of running a business and financing business activities with loans.



What are the benefits for different groups of people?

For microfinance institutions:

- ▶ Help keep repayment rates up and delinquency rates down.
- ▶ Help staff understand financial management strategies of the poor, financial service gaps and how microfinance products and services could be improved and expanded.
- ▶ Can reduce portfolio risks, stimulate competition, and contribute to the growth and development of MFIs.



What are the benefits for different groups of people?

For young people:

- ▶ Help them prepare for productive and secure futures.
- ▶ Help young people grow more independent, self-confident, and prepared for the future.
- ▶ Can reduce the vulnerability of young people to many risks associated with adolescence.
- ▶ Can open up new opportunities to work, to build assets, and to expand horizons.



People don't plan to fail..... they fail to plan!

- ▶ Only 28% of households have a comprehensive financial plan
- ▶ Only 19% express an interest in having a financial plan
 - Don't understand the value
 - Don't know what a comprehensive plan is
 - Believe the cost of having such a plan developed by a financial professional is high



If you fail to plan...

- ▶ Inefficient use of resources
- ▶ Risk of not meeting financial objectives
- ▶ Unprepared for the storms of life
- ▶ Pay higher taxes than necessary
- ▶ Delay retirement; live on less money
- ▶ May be difficult fulfilling God's purpose for your life



Financial Education in Azerbaijan


- ▶ Government – Central Bank of Azerbaijan launched the Financial Literacy Project in 2010, various activities were conducted to date:
 - *educational events for higher school students and journalists,*
 - *meetings with high school students jointly with the Ministry of Education,*
 - *elaboration of curriculum recommendations,*
 - *a series of “banks to schools, students to banks” events*
 - *International Savings Day and others.*



Financial Education in Azerbaijan

- ▶ AMFA – EU funded “Building female professionals and promoting women entrepreneurship development in rural regions of Azerbaijan” project
- ▶ AMFA–SECO funded “Building capacity of Women entrepreneurs’ through development of business planning skills” project

Trainings on Financial Education

A large, solid orange arrow pointing to the right, with a white outline. It is positioned on the left side of the slide, pointing towards the list of outcomes.

Knowledge,
skills and
attitudes

- good money–management practices,
- prepare for risks and emergencies
- build household assets
- use a range of financial services.



Plan Your Future module

A large orange pyramid graphic is positioned on the left side of the slide. To its right, five white rounded rectangular boxes with orange borders are stacked vertically, each containing a financial concept. The pyramid's right edge is partially obscured by the boxes.

Financial plan

Smart borrowing

Emergency fund

Saving strategies

Household budget



“Plan Your Future” FinEd training

Remembering key messages

95%



Yes

5%

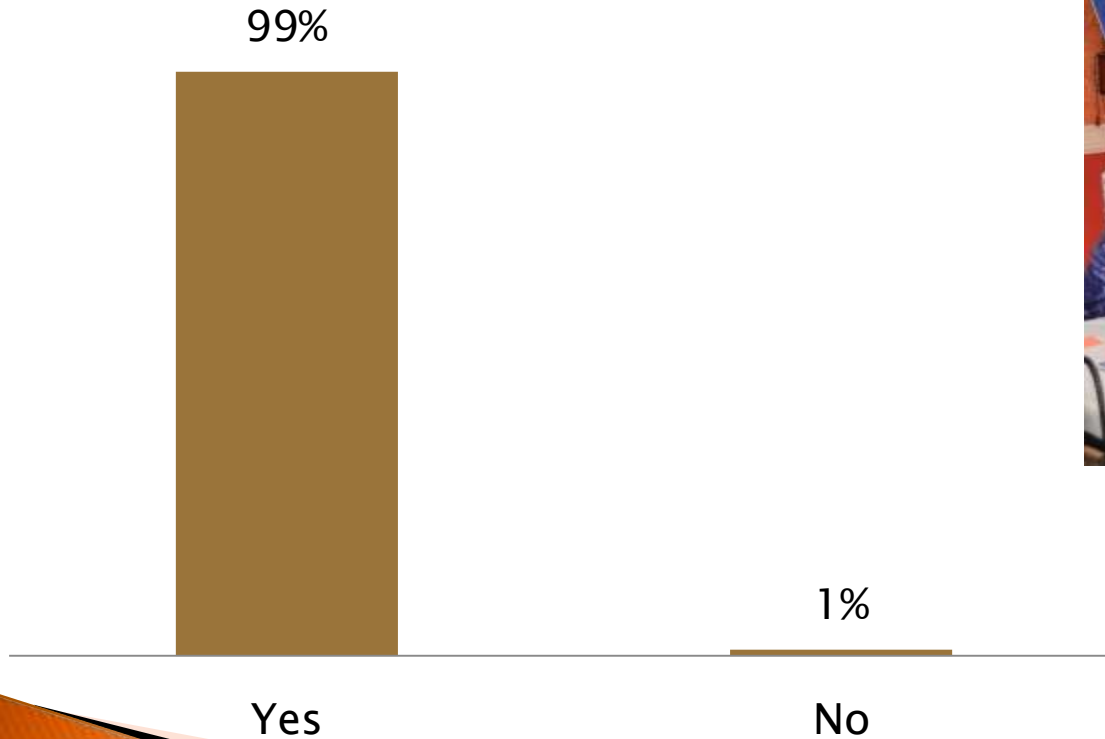


No



“Plan Your Future” FinEd training

Continue planning income and expenses after the training

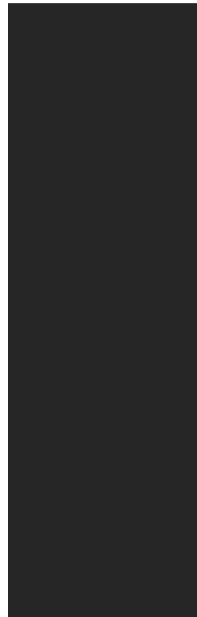




“Plan Your Future” FinEd training

Changes in emergency fund

88%



2%



11%



Increased the amount

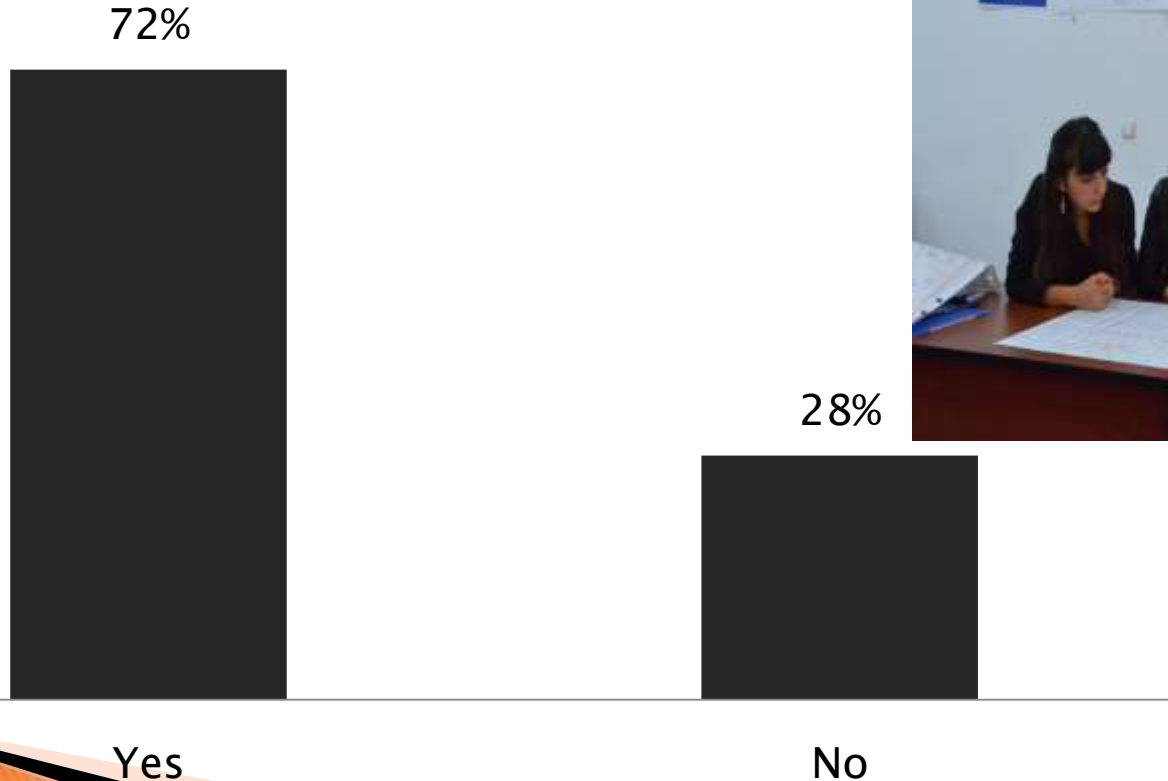
Decreased the amount

No change



“Plan Your Future” FinEd training

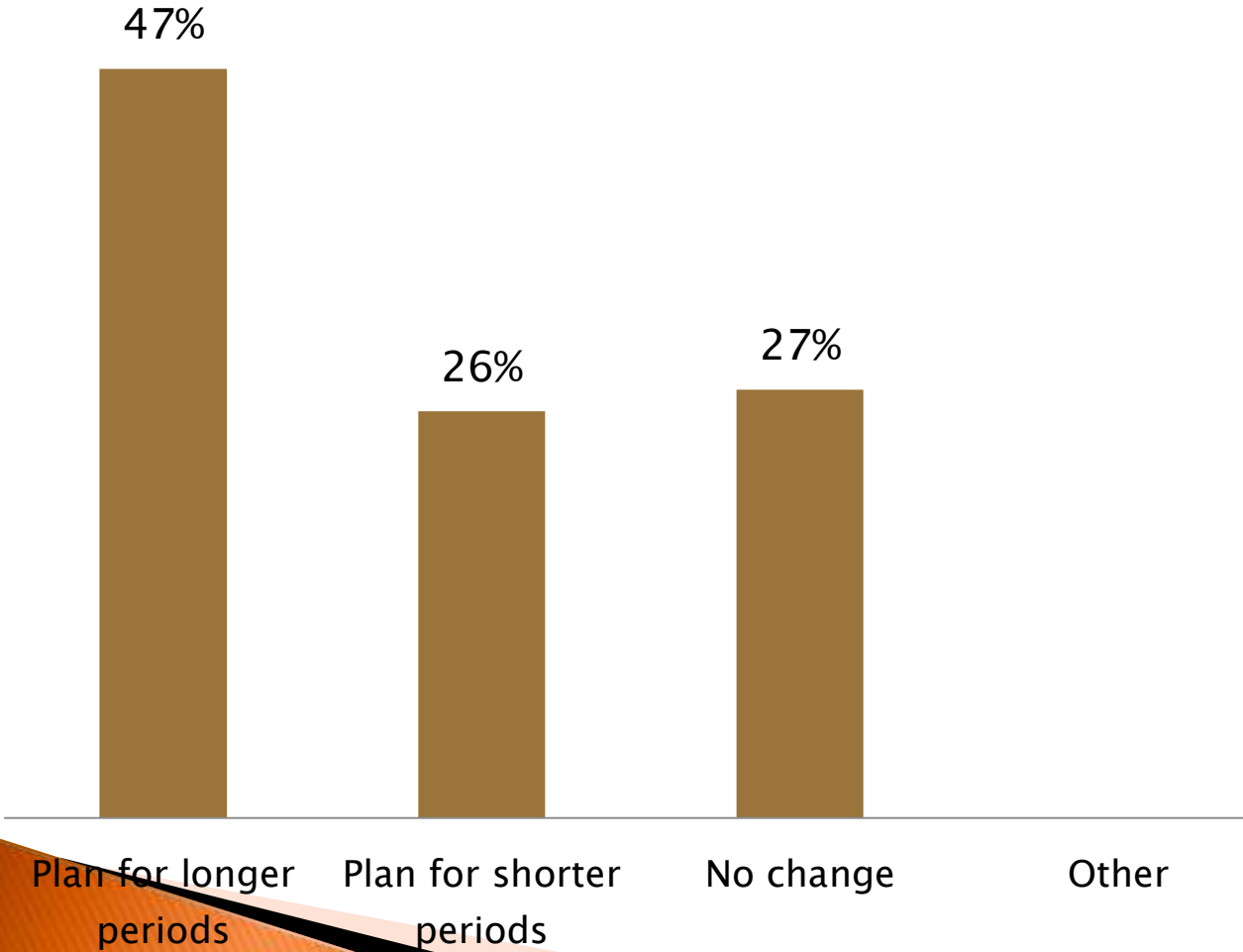
Started saving for emergency fund





“Plan Your Future” FinEd training

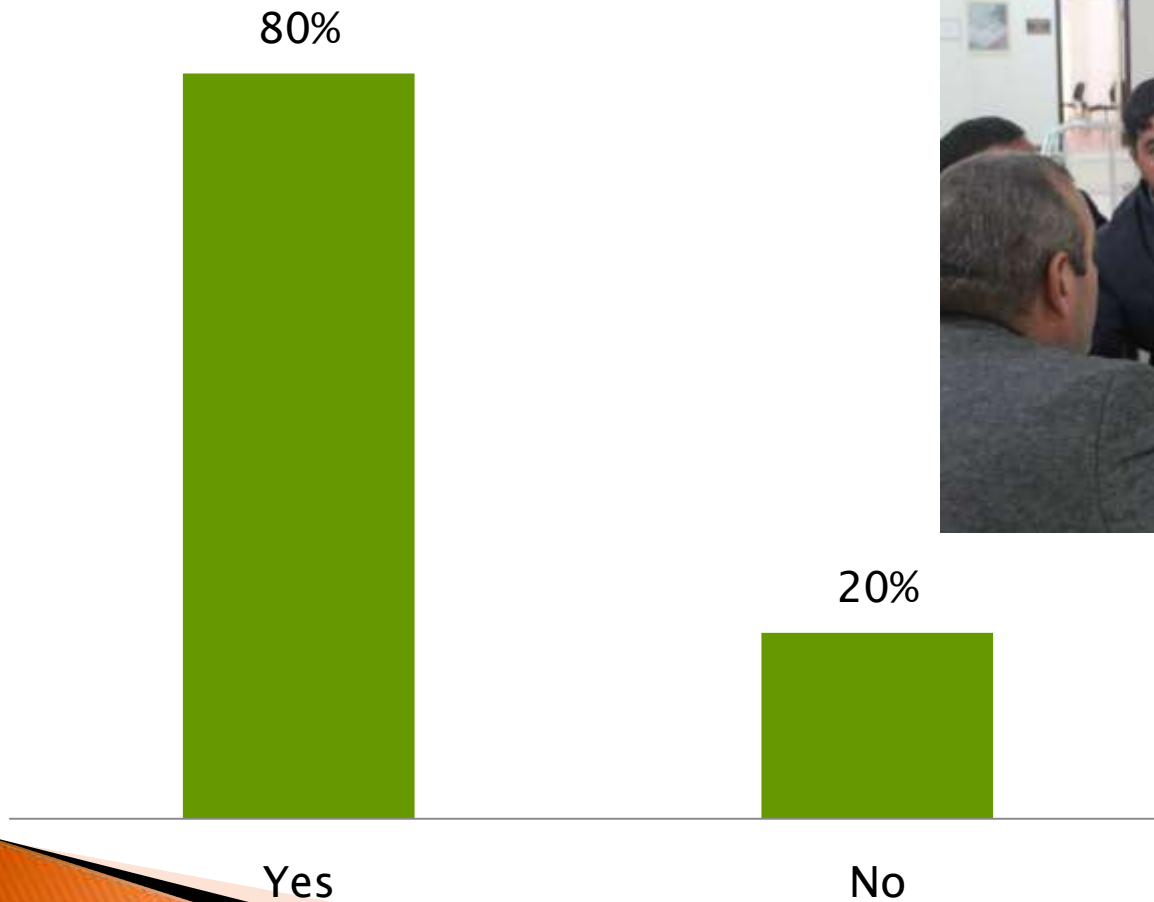
Changes in planning horizon





“Plan Your Future” FinEd training

Started saving for specific goals



Outcomes

- ▶ 22 trainers certified to conduct FinEd trainings
- ▶ Around 1,700 people participated in FinEd trainings





What people say before...

- ▶ „ Money kept at home always are spent on something”
- ▶ „ People do not plan, cause they have no money”
- ▶ „No sense to plan, if there is always some emergency”
- ▶ „With a sickness, one does not count money – one spends, borrows – spends again – noone thinks how to give back later on”
- ▶ „It is very easy to fall into over–indebtedness. It s very difficult to get out of it”



What people say after...

- ▶ „During the exercises, we worked on issues I have never thought about before. Now I am more aware.”.
- ▶ „I realized I can save on small things. Before I thought it is not worth the effort.”.
- ▶ „I realized how little I know about my rights and about financial institutions.”
- ▶ „Why didn't you teach us this earlier? I would avoid so many mistakes”



Satisfaction with the trainings

- 72% very satisfied
- no dissatisfied participants
- 96% found the content relevant





Future plans

- ▶ 22 trainers certified will continue conducting training sessions in the regions with the assistance of the respective organizations;
- ▶ Project partners will use the training modules, tailored and delivered by the project, thus ensuring the further dissemination of financial education skills;
- ▶ AMFA will be looking for new funding opportunities to continue FinEd trainings;
- ▶ AMFA will be closely cooperate with the government agencies and other stakeholders in implementation of project components such as FinEd and SIYB trainings.
- ▶ Setting Financial literacy Center “Manat”



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